

Statement of the Honorable Rahm Emanuel
United States House of Representatives
Committee on Financial Services
April 30, 2003

Hearing on the Conduct of Monetary Policy, Budget Deficits & the Economy

I would like to thank Chairman Oxley for holding this important hearing on monetary policy, budget deficits and the economy. I also appreciate that our distinguished witnesses, including Chairman Greenspan, have taken the time to share their views with us on these subjects.

While national unemployment figures have remained steady over the last 3 months, they are misleading. As a number of observers have commented, those numbers do not reflect the large numbers of “discouraged” Americans who have stopped looking for work and are no longer counted among the jobless. Meanwhile, it was revealed recently that Chicago lost 57,400 jobs last year, more than any other major metropolitan area. Our unemployment rate has jumped to 6.6 %, significantly above the 5.8 % national average. These are not just numbers. They represent people and families with debts and health care needs. They are hurting deeply. They need, want, and expect our national leaders to feel and express a sense of urgency about this economy. For those without jobs or resources, a “stimulus” plan centered on stock dividend tax cuts and a realignment of the tax code in favor of the wealthy means very little.

The Administration has offered differing justifications for its tax plan as economic and geopolitical circumstances have changed. The tax package has been sold as a “growth” and “jobs” plan that will immediately boost the sagging economy. Similar reasoning was offered for Mr. Bush’s 2001 tax plan, the largest tax cut in a generation. But as President Ronald Reagan once said, “facts are stubborn things,” and these are the facts since Congress gave the President his tax cut in 2001,

- Two and one-half million more Americans are without work;
- Five million more Americans are without health care;
- Nearly \$1 trillion worth of corporate assets have foreclosed; and
- 2 million more Americans have moved from the middle class into poverty.

Commentators ranging from financial analysts to business leaders to Nobel prize-winning economists conclude that the Administration’s plan fails on its most basic claim, because it doesn’t deliver the immediate stimulus needed to help boost the economy in the short term. By the White House’s own projections, less than 10% of the package’s total spending comes in 2003, when it is needed most. Even by its own estimates, the Bush plan will create only 190,000 jobs this year, just 11 percent of the jobs lost since President Bush took office.

Moreover, the President's plan will only exacerbate the spiraling deficits that have resulted from the 2001 tax cut. Although the White House has attempted to shift the focus away from the deficit impact of tax cuts, the President's own Council of Economic Advisers recently agreed with the Federal Reserve that deficits raise long-term interest rates. In fact, the Council estimates that a persistent \$100 billion annual increase in the budget deficit would increase long-term interest rates by about one-third of a percentage point. These numbers would be devastating to working families, who would face rising costs for mortgages, cars, and credit cards. Yesterday, we discovered that the government will need to borrow \$79 billion this quarter, a reversal of more than \$100 billion from previous projections. In light of this information, the President's plan should be abandoned in favor of a real stimulus plan, one that delivers meaningful tax relief to working Americans.

I hope Mr. Greenspan will expand on his earlier comments about the negligible impact of the President's proposed stimulus. I strongly encourage Chairman Greenspan to advocate an economic plan that stimulates job creation now – not years into the future – and that focuses resources on those who need help the most right now – not those who are doing fine without it.

We will always remember Chairman Greenspan's prescient warnings about irrational exuberance in the stock market. I encourage him to speak out forcefully now against irrational exuberance for huge tax cuts for the wealthy as the best means of providing immediate job opportunities for the millions of Americans without them.